

STATE OF ILLINOIS
BEFORE THE ILLINOIS COMMERCE COMMISSION

ILLINOIS
COMMERCE COMMISSION
OCT 17 11 09 AM '00
FEDERAL OFFICE

DATA NET SYSTEMS, L.L.C.,

Docket No. 00-0635

Application for a certificate of
local and interexchange authority to operate
as a reseller and facilities based carrier of
telecommunications services throughout
the State of Illinois

TESTIMONY OF MARTIN SEGAL
IN SUPPORT OF THE APPLICATION OF
DATA NET SYSTEMS, L.L.C.

Q: PLEASE STATE YOUR FULL NAME, BUSINESS ADDRESS, AND TITLE FOR
THE RECORD.

A: My name is Martin Segal, and my business address is 1608 Barclay Blvd., Buffalo
Grove, Illinois 60089-4523. I am the President of Data Net Systems, L.L.C.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A: I am testifying in support of the Application of Data Net Systems for a certificate of service
authority to operate as a telecommunications carrier within the state of Illinois.

Q: ARE ALL STATEMENTS IN THE COMPANY'S APPLICATION FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TRUE AND
CORRECT TO BEST OF YOUR KNOWLEDGE, INFORMATION AND BELIEF?

OFFICIAL FILE

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I.C.C. DOCKET NO. 00-0635
Petitioner's Exhibit No. A

Witness _____
Date 10/24/00 Reporter TR

A: Yes, unless as modified in this testimony. .

Q: CAN YOU BRIEFLY OUTLINE WHAT RELIEF THE APPLICANT SEEKS?

A: Yes, I can. As described in the Application, the Company requests an order from the Commission granting Data Net Systems, L.L.C. a Certificate of Service Authority under Sections 13-403, 13-404 and 13-405 to provide local exchange and interexchange telecommunications services within the State of Illinois, to the extent permitted by law.

In Docket No. 96-0515, the Commission granted Data Net Systems, L.L.C. a Certificate of Service Authority to provide resold telecommunications services within the State of Illinois pursuant to Section 13-404 of the Illinois Public Utilities Act. A copy of the Order entered in Docket No. 96-0515 is attached hereto as Exhibit A. By this Application, Data Net Systems, L.L.C. requests an expansion of that Certificate to include authority to provide local and interexchange authority to operate as both a reseller and a facilities based carrier of telecommunications services throughout the State of Illinois.

Q: PLEASE DESCRIBE THE COMPANY'S CORPORATE STRUCTURE.

A: Data Net Systems, L.L.C. is an Illinois limited liability corporation and has authority to transact business in the State of Illinois. A copy of the Company's Articles of Incorporation and Articles of Amendment changing the company's name to Data Net Systems, L.L.C. was attached to the Application previously filed in this proceeding as Exhibit A.

Q: PLEASE DESCRIBE THE COMPANY'S SERVICE OFFERINGS AND ITS PROPOSED TERRITORY.

A: The Company is authorized to provide resold telecommunications services. The Company intends to provide facilities-based and resold local exchange, exchange access and interexchange telecommunications services throughout the State of Illinois, to the extent permitted by law. The Company does not currently plan to provide local exchange services in those areas where a small or rural LEC is exempt from the requirement to provide services to competing telecommunications carriers. The Company will deploy its services by initially reselling local exchange services from incumbent local carriers, and will over time install additional facilities.

I. MANAGERIAL, TECHNICAL, AND FINANCIAL RESOURCES.

Q: COULD YOU PLEASE IDENTIFY THE COMPANY'S KEY OFFICERS AND EMPLOYEES.

A: I am the President of the Company. Edward F. Kilb is Vice President of Operations of the Company. Both of the key officers and employees have extensive experience in the telecommunications industry.

Q: PLEASE DESCRIBE THE RELEVANT BUSINESS OR PROFESSIONAL EXPERTISE THAT SOME OF THESE OFFICERS AND DIRECTORS BRING TO THE COMPANY TO PROVIDE TELECOMMUNICATION SERVICES.

A: I currently serve as President of Data Net Systems, L.L.C. In addition to this position, I also serve in a number of other capacities. For instance, I am also the Executive Director of the Illinois Public Telecommunications Association, an Illinois nonprofit corporation which

represents the interests of the payphone industry in Illinois. I am also the President of Public Communications Consulting, Inc. which provides consulting services to telecommunications companies. In addition to these interests, I am a Member of the Board of Directors and Legal Committee of American Public Communications Council, Inc. (APCC) Washington, D.C. In total, I have more than fifteen years of management experience in the telecommunications industry.

In addition to my current titles, I have held the positions of Chief Operating Officer for Total Communication Services, Inc.; co-founder and Executive Director of the Independent Payphone Association of New York; co-founder and President of the American Public Communications Council (APCC); and Vice-President Regulatory Affairs for U.S. Communications of Westchester, Inc.

Mr. Kilb serves as the Company's Vice President of Operations. Mr. Kilb also serves as the Secretary of Data Net Systems, L.L.C. In total, Mr. Kilb has more than 31 years experience in the telecommunications industry. Mr. Kilb joined Data Net Systems at its inception in 1995. Prior to joining of Data Net Systems he spent twenty-six years in telecommunications management with Illinois Bell and Ameritech. Mr. Kilb has held various positions in planning, implementation and operation of Ameritech's multi-state internal network. Ed also has experience in the business and residential marketing and customer service.

Q: DO YOU BELIEVE THAT THESE OFFICERS POSSESS SUFFICIENT MANAGERIAL AND TECHNICAL ABILITIES TO PROVIDE THE SERVICES FOR WHICH THE COMPANY HAS APPLIED FOR AUTHORITY?

A: Yes.

Q: HAS THE COMPANY PROVIDED A PROPOSED TARIFF?

A: The company currently has a resale tariff on file with the Commission. The Company will provide an updated tariff including any changes necessary as a result of an Order granting this Application before it initiates those services in Illinois.

Q: PLEASE PROVIDE INFORMATION CONCERNING THE COMPANY'S CUSTOMER SERVICE AND REPAIR CONTACTS.

A: The Company will staff its office with a general manager, engineer, and a customer service coordinator to serve its customers prior to offering service in Illinois. Edward Kilb and myself will oversee the company's network maintenance and repair systems and procedures.

The Company will establish a toll-free customer service number, and this number would apply to all Illinois customers. Customers may contact the Company at this number 24 hours per day.

The Company intends to have a local office staffed with technical personnel after initiating facilities-based services.

The Company intends to contract with the Incumbent Local Exchange Carrier to handle most of the company's customer repair and service issues.

Q. HAS THE COMPANY BEGUN TO NEGOTIATE THE TERMS OF AN INTERCONNECTION AGREEMENT WITH AN INCUMBENT LOCAL EXCHANGE CARRIER?

A. No, not yet.

Q. HOW WILL THE COMPANY MARKET ITS SERVICES TO CUSTOMERS IN ILLINOIS?

A. The Company will acquire sales agents in the state to contract directly with customers. The Company does not intend to use telemarketing companies, but may in the future. The Company of course will comply with all state and federal cramming and slamming regulations.

Q. COULD YOU PLEASE DESCRIBE THE FINANCIAL RESOURCES THAT ARE AVAILABLE TO THE COMPANY IN THE PROVISION OF TELECOMMUNICATIONS SERVICES.

A. The Company has sufficient financial resources and abilities to provide telecommunications services to customers in Illinois. In support, I would offer a copy of the Company's audited financial statements dated as of December 31, 1999, a copy of which is attached hereto as Exhibit B.

II. COMPLIANCE WITH ICC REGULATIONS.

Q: WILL THE COMPANY COMPLY WITH ALL APPLICABLE RULES AND ORDERS?

A: Yes. The Company will comply with all applicable Commission rules, regulations, orders, tariff and other service requirements relevant to the provision of telecommunications service.

Q. WILL THE COMPANY MEET THE REQUIREMENTS OF SECTIONS 13-301 AND 13-301.1 OF THE PUBLIC UTILITIES ACT AND THE EMERGENCY TELEPHONE SYSTEM ACT (ETSA), 50 ILCS 750.01 ET SEQ?

A. The Company will meet all statutory and regulatory requirements legally imposed on them as a provider of local exchange and interexchange services. That includes collecting from its subscribers funds to support the Emergency Telephone System.

Q. WILL THE COMPANY COMPLY WITH THE REGULATIONS PRESCRIBED IN 83 ILLINOIS ADMINISTRATIVE CODE PARTS 720 AND 725 APPLICABLE TO 9-1-1 EMERGENCY SYSTEMS?

A. Yes, the Company will satisfy all statutory and regulatory requirements legally imposed on them as a provider of local exchange and interexchange services.

Q. HOW WILL THE COMPANY ENSURE THAT ITS CUSTOMERS HAVE ACCESS TO THE 911 EMERGENCY SERVICES SYSTEMS, AND THAT THE CUSTOMERS WILL BE LISTED IN THE 911 EMERGENCY SERVICES DATABASE?

A. First, let me say that Edward Kilb will be the Company's contact person for all 911 Emergency Services issues. He can be reached at 847-808-0288. He will be responsible for ensuring that 911 traffic is handled in accordance with 83 Illinois Administrative Code Part 725 and the Emergency Telephone System Act. Prior to beginning operations in each territory, we will coordinate with the incumbent local exchange carriers to establish a working relationship with 911 systems.

Q. WILL THE COMPANY COORDINATE WITH THE INCUMBENT LEC(S) AND LOCAL 9-1-1 SYSTEMS TO MINIMIZE OBSTACLES AND PROVIDE TRANSPARENT SERVICE TO THE END-USERS?

A. Yes. The Company will be providing customer information to the LEC for the LEC 911 database. The Company will coordinate with the local exchange carriers to assure that there will be seamless emergency 911 services. Edward Kilb will be responsible for updating the Company's listing of customers in the emergency 911 services data base, and will provide that information to the LEC (The LEC will update the data base, with information we provide.) This information will be updated on a 24-hour basis (customer information will be provided to the LEC for database entry within 24 hours.)

Q. WILL THERE BE ANY ADDITIONAL CALL SETUP TIME FOR 911 CALLS?

A. No. In addition, to the best of our knowledge, there will be no need to change existing 911 systems.

Q. HOW WILL THE COMPANY HANDLE THE BILLING OF 911 SURCHARGES AND ITAC LINE CHARGES.

A. The Company's billing systems have the ability to distinguish between "facilities based" customers and "reseller" customers for purposes of collecting and remitting the 911 surcharges and the ITAC line charges. The company will remit 911 surcharges that are collected to the local 911 emergency services system.

Q. WILL THE COMPANY PROVIDE CALL BOXES?

A. No. The Company will not provide call boxes, and will file a waiver of Part 725.500 and 725.600 after the Company's application is approved.

Q. WHO IS THE PERSON THAT WOULD SERVE AS THE COMPANY'S CONTACT TO THE CONSUMER SERVICE DIVISION TO RESOLVE CUSTOMER COMPLAINTS?

A. The Commission can contact me at 847-808-0288.

Q. WILL THE COMPANY FOLLOW THE REGULATIONS PRESCRIBED IN 83 ILLINOIS ADMINISTRATIVE CODE PART 705, RELATING TO THE PRESERVATION OF RECORDS?

A. Yes.

Q. WILL THE COMPANY FOLLOW THE REGULATIONS PRESCRIBED IN 83 ILLINOIS ADMINISTRATIVE CODE PART 755 AND 756 FOR THE DISTRIBUTION AND PROVISION OF TTY AND TELECOMMUNICATIONS RELAY SERVICE?

A. Yes. The Company will either provide these services directly, or will contract with the incumbent local exchange carriers to make these services available to its voice grade telecommunications customers.

Q. WILL THE COMPANY SIGN AND RETURN TO THE UNIVERSAL TELEPHONE ASSISTANCE CORPORATION (UTAC) ALL OF NECESSARY MEMBERSHIP FORMS IN A TIMELY MANNER AND REMIT TO UTAC THE LINE CHARGE AMOUNTS COLLECTED MONTHLY FROM ALL TELEPHONE SUBSCRIBERS FOR THE TTY EQUIPMENT LOAN PROGRAM AND TELECOMMUNICATIONS RELAY SERVICE?

A. Yes. On behalf of the Company, Mr. Kilb forwarded the signed UTAC and ITAC forms to Ms. Lankford of the ICC staff prior to filing this testimony.

Q. WILL THE COMPANY FOLLOW THE REGULATIONS PRESCRIBED IN 83 ILLINOIS ADMINISTRATIVE CODE PART 757, "TELEPHONE ASSISTANCE PROGRAMS"?

A. Yes. The Company will meet all statutory and regulatory requirements legally imposed on them as a provider of local exchange and interexchange services. The company will solicit,

collect, and remit the voluntary contributions from our subscribers to support the Telephone Assistance Programs. In addition, the company will offer all of the waivers associated with the Universal Telephone Service Assistance Programs (UTSAP.)

In fact, the Company has already completed and returned its application to the Universal Telephone Assistance Corporation ("UTAC") and ITAC by sending a copy to the ICC Staff.

III. WAIVERS OF ADMINISTRATIVE CODE PROVISIONS

Q: HAS THE COMPANY REQUESTED ANY WAIVERS OF ADMINISTRATIVE CODE PROVISIONS?

A: Yes. The Company requests that it be exempted from 83 Illinois Administrative Code 710, which pertains to the uniform systems of accounts, 83 Illinois Administrative Code Part 735 for only its interexchange customers, and 83 Illinois Administrative Code 735.180, which requires local exchange carriers to list its customers in its directory.

Q: TO QUALIFY FOR THE EXEMPTION OF SECTION 735.180, WILL THE COMPANY MAKE ARRANGEMENTS WITH THE INCUMBENT LOCAL EXCHANGE CARRIER TO LIST ITS CUSTOMERS WITH A PUBLISHED DIRECTORY FOR ITS VOICE-GRADE TELECOMMUNICATIONS SERVICE CUSTOMERS.

A: Yes, to comply with the requirement that the Company list its customers in a directory, The Company will make arrangements to list its customers in a directory published by an incumbent local exchange carrier.

Q. WILL THE COMPANY FOLLOW THE REMAINING REGULATIONS PRESCRIBED IN 83 ILLINOIS ADMINISTRATIVE CODE PART 735 RELATING TO CREDIT, BILLING AND DEPOSITS?

A: Yes.

Q. WILL THE COMPANY COMPLY WITH ALL OTHER REQUIREMENTS UNDER 83 ILLINOIS ADMINISTRATIVE CODE PART 735 FOR ITS LOCAL EXCHANGE SERVICES.

A: Yes. The Company requests a waiver of Part 735 for its competitive interexchange services, but will comply with the other provisions of Part 735 for its local exchange services.

Q. ON WHAT BASIS DOES THE COMPANY REQUEST A WAIVER OF THE REQUIREMENTS UNDER 83 ILLINOIS ADMINISTRATIVE CODE SECTION 710 THAT THE COMPANY'S BOOKS AND RECORDS BE MAINTAINED UNDER THE UNIFORM SYSTEM OF ACCOUNTS?

A: The company requests that it be exempted from 83 Illinois Administrative Code 710, which pertains to maintaining its books and records under the uniform systems of accounts. The

Commission may grant a waiver of Part 710 (which substantially mirrors 47 CFR Section 32.18) upon a showing that:

existing peculiarities or unusual circumstances warrant a departure from a prescribed procedure or technique;

a specifically defined alternative procedure or technique will result in a substantially equivalent or more accurate portrayal of operating results or financial condition, consistent with the principles embodied in the provisions of this system of accounts;

and the application of such alternative procedure will maintain or improve uniformity in substantive results as among telecommunications companies.

Q. ARE THERE EXISTING PECULIARITIES OR UNUSUAL CIRCUMSTANCES THAT WARRANT A DEPARTURE FROM MAINTAINING THE COMPANY'S BOOKS AND RECORDS UNDER THE USOA?

A. Yes. The Company is not required at this time to maintain its books and records under the USOA for its interstate services. Therefore, the "existing peculiarity" is that if the Company does not obtain a waiver of Part 710 for the interexchange or local exchange services in Illinois, it will have to maintain two separate accounting systems for its Illinois intrastate services (intraexchange and interexchange) as well as two separate accounting systems for its originating resold local exchange traffic which terminates intrastate and originating resold local exchange traffic that terminates interstate. Maintaining books and records in this manner would be particularly burdensome on the Company.

Q. IS THERE AN ALTERNATIVE PROCEDURE OR TECHNIQUE THAT WILL RESULT IN A SUBSTANTIALLY EQUIVALENT OR MORE ACCURATE PORTRAYAL OF OPERATING RESULTS OR FINANCIAL CONDITION OF THE COMPANY, CONSISTENT WITH THE PRINCIPLES EMBODIED IN THE PROVISIONS OF THE USOC?

A. Yes. The Company will maintain its books and records according to the cash basis of accounting, and its books and records are audited annually by an independent public accounting firm in accordance with generally accepted standards. The primary purpose of the USOA is to have a stable, recurring method of reporting financial information to allow regulators and management to assess financial performance. (47 CFR Section 32.1.) If the Company is required to now maintain its books and records for its intrastate telecommunications services under the USOA, its books and records would be a hodge-podge compilation of varying systems of accounts. The Company and the Commission can more accurately determine financial performance through the Company's existing system of maintaining books and records. The regulations state that "the USOA has been designed to reflect stable, recurring financial data based to the extent regulatory considerations permit upon the consistency of well established body of accounting principles." By continuing to maintain its records according to the cash basis of accounting, rather than the exact USOA format, the Company actually satisfies the objective of Part 710. Requiring the Company to switch to the USOA format for some of its services, would create a situation where neither management nor regulators could accurately assess financial events of the Company.

Q. COULD YOU PROVIDE THE COMMISSION WITH A CHART OF THE ACCOUNTS THE COMPANY MAINTAINS.

A. Attached as Exhibit C is a chart of the accounts maintained by the Company.

Q. WILL THE COMPANY STILL BE ABLE TO FILE THE REQUIRED REPORTS AND TAX RETURNS?

A. The Company will file all required Annual Reports, invested capital tax returns, public utility tax returns, and telecommunications excise tax returns. These reports require the Company to report the value of its "telecommunications plant", which is defined by 47 CFR Section 32.2000, and the annual gross revenue derived from providing telecommunications services. Therefore, the Company will have to maintain its books and records in sufficient detail to comply with all Illinois tax return and annual report requirements.

Q. WILL THE COMPANY'S ACCOUNTING SYSTEM PROVIDE SUFFICIENT DETAILED DATA FOR THE PREPARATION OF ILLINOIS GROSS RECEIPTS TAX RETURNS?

A. Yes.

Q. WILL GRANTING THE WAIVER OF PART 710 TO THE COMPANY ALLOW THE COMMISSION TO MAINTAIN OR IMPROVE UNIFORMITY IN SUBSTANTIVE RESULTS AS AMONG TELECOMMUNICATIONS COMPANIES?

A. Yes. To the best of my knowledge, no other interexchange carrier certified in Illinois is require to maintain its books and records under Part 710.

Q. DO YOU BELIEVE THAT THE COMPANY HAS PROVIDED SUFFICIENT EVIDENCE TO SUPPORT ITS REQUEST FOR A WAIVER OF PART 710?

A. Yes I do.

Q. WHAT OTHER REQUIREMENTS WILL THE COMPANY COMPLY WITH AS PROVIDER OF INTEREXCHANGE AND LOCAL EXCHANGE SERVICES?

A. In addition to filing tariffs, the Company will file its Annual Reports with the Commission, the public utility tax payments and returns, and otherwise comply with the requirements imposed on other interexchange and local exchange carriers providing the types of services. In addition, the Company will take all steps necessary to comply with the Emergency Telephone System Act when it provides voice grade local exchange services.

Q: IS THE COMPANY'S APPLICATION IN THE PUBLIC INTEREST?

A: Yes. Granting the Company's application will further the public interest by expanding the availability of technologically advanced telecommunications facilities. The Company's network will provide Illinois consumers with the option of selecting from a wide range of innovative and personalized services that offer a number of significant technologic advantages in comparison to other access media. The Company's voice and data network will be able to maintain consistent, high speeds of service while providing secure

connections that enable a consumer to complete calls. The Company will be able to furnish these services to Illinois consumers quickly and at lower cost because the Company intends to be a more efficient provider than the incumbent local exchange carrier.

IV. PREPAID LOCAL SERVICE ISSUES.

Q. YOU HAVE INDICATED THAT THE COMPANY INTENDS TO PROVIDE PREPAID LOCAL SERVICE TO CUSTOMERS. COULD YOU PLEASE DESCRIBE THAT TYPE OF SERVICE?

A. The Company intends to offer prepaid local exchange and interexchange services to residential customers that, for whatever reason, do not purchase local services from another post-pay service provider. For prepaid local service, the Company will sell service by arranging with customers for a nonrecurring initial charge, plus a monthly fee for local flat rated call packs and other calling features. Customers will also be able to complete interexchange services also through prepaid calling cards and other prepaid-type services. Under the Company's plan, customers will be allowed a certain number of calls, and each time a call is completed, the customer's account will be debited.

Q. HOW WILL THE COMPANY HANDLE 1-800, 911, OPERATOR, AND OTHER CALLS?

A. Customers will be able to complete 800 (toll free), 911, operator assisted calls, and most other calls.

The Company will not do any billing for other carriers, so any calls that are not blocked will have to be directly billed by the carrier to the customer. Customers will have to agree to have "pay per call" calls blocked because we have no way of assuring that we can bill those types of calls to back to the subscriber.

Q. WILL THE COMPANY PROVIDE UNTIMED LOCAL CALLS, AND IF SO, HOW WILL IT DEFINE THE LOCAL CALLING AREA?

A. The Company will provide untimed local calls. The local calling area will be defined in the Company's tariff, but will initially be the local calling area as defined by the incumbent local exchange carriers.

Q. WILL CUSTOMERS BE PERMITTED TO SELECT THE INTEREXCHANGE CARRIER OF THEIR CHOICE?

A. Customers will be permitted to select the prepaid interexchange carrier of their choice. However, the Company will not allow 1+ interLATA calls through another carrier, because the Company has no way of billing a customer for calls made over another carrier's network. Consequently, all non-prepaid 1+ calls will be blocked.

Q. WILL THE COMPANY'S BILLS PROVIDE THE CUSTOMERS WITH A DETAIL SHOWING THE MONTHLY FEE, TAXES, ANY SURCHARGES, AND CHARGES FOR FEATURES?

A. Each customer will get a receipt or statement showing the breakdown of the fees, taxes, and detailed charges.

Q. WILL THE COMPANY BE IMPOSING NONRECURRING CHARGES FOR NEW CUSTOMERS?

A. The Company's current intentions are to charge nonrecurring charges to offset the Company's costs in setting up new accounts (*i.e.* adding new customers to directory assistance and emergency services data bases.)

Q. IN WHOSE NAME WILL THE CUSTOMER BE LISTED IN THE 911 AND DIRECTORY ASSISTANCE DATA BASES?

A. The customers will be identified by their name and address in the 911 and directory assistance databases. As I described in my testimony regarding our requested waiver from 83 Illinois Administrative Code Part 735.180, we will contract with the incumbent local exchange carrier to list our local exchange customers in the ILEC's directory.

Q. WILL THE CUSTOMERS RECEIVE SOME FORM OF WARNING OR TONE IF THEIR SERVICES ARE ABOUT TO BE DISCONNECTED BECAUSE THEY HAVE EXCEEDED THEIR PREPAID AMOUNT?

A. For the Company's prepaid interexchange and local exchange accounts, the customers will receive written descriptions explaining the Company's disconnection policies and identifying

the types of warning they will receive. For the Company's prepaid interexchange customers, they will receive a 5 minute warning and a 1 minute warning prior to the Company disconnecting a call that is active. For local exchange accounts, the Company will not disconnect prepaid customers in the middle of an active call.

If a customer's account runs out of credits, the customer's account will be suspended, and no outgoing or incoming calls will be allowed (except 911, 411, 800, and operator assisted calls.) After the expiration of the prepaid time period, customer's accounts will be completely disconnected. So, for example, assume a customer prepays for 1 month's local exchange service for a maximum of 500 local calls. When the customer has used up his or 500 local call package, the customer's account will be suspended. At the end of the monthly period, the customer's account will be disconnected, unless the customer renews the service.

Q. HOW WILL THE COMPANY HANDLE QUESTIONS REGARDING CUSTOMER DISPUTES ON THE AMOUNT OF CREDIT REMAINING ON THE ACCOUNT?

A. The Company retains call detail records that will show the actual number of calls, the time of day, the length of calls, the called number, and whether the call was answered or not.

Q. WHEN DOES THE TIMING OF A CALL START?

A. The timing of a call starts when the called party answers the phone (based on the answer supervision signal sent from the terminating switch to the originating switch.) As a result, customers are not charged for uncompleted calls.

Q. WILL THE CUSTOMERS BE MADE AWARE OF THEIR RIGHTS TO FILE COMPLAINTS WITH THE ILLINOIS COMMERCE COMMISSION?

A. Yes.

Q. ARE THE COMPANY'S SERVICES AVAILABLE TO TTY CUSTOMERS?

A. Yes.

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

A: Yes.

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Data Net Systems, L.L.C.

Application for certificate to provide resold
local exchange and interexchange telecom-
munications services.

96-0515

ORDER

By the Commission:

On October 16, 1996, Data Net Systems, L.L.C., ("Applicant") filed an application for a Certificate of Service Authority to provide resold telecommunications services within the State of Illinois pursuant to Section 13-404 of the Illinois Public Utilities Act.

Pursuant to notice given in accordance with the law and the rules and regulations of the Commission, this matter came on for hearing before a duly authorized Hearing Examiner of the Commission at its offices in Chicago, Illinois on various dates from January 10 through June 30, 1997. Applicant was represented by counsel and presented that the testimony of Martin Segal, its Executive Director, in support of the application. Staff witnesses Judith Marshall, Sam Tate and Alcinda Jackson participated in the hearings. On August 13, 1997, the record was marked "Heard and Taken."

A copy of the Hearing Examiner's Proposed Order was served on the parties. No exceptions were filed to the Proposed Order.

At the hearing, Mr. Segal testified that Applicant is an Illinois Limited Liability corporation. He stated that Applicant intends to provide the resale of local exchange and interexchange services throughout the State of Illinois. He testified that Applicants' management team is comprised of individuals with extensive experience in operations of telecommunications business. Mr. Segal furthermore provided financial statements which demonstrates that Applicant has the financial ability to provide the proposed services.

Applicant has requested that the Commission make certain declarations and grant certain waivers of the Public Utilities Act ("Act") and from the rules and regulations of the Commission. The services Applicant proposes to provide will be competitive telecommunications services as described in Section 13-502(b) of the Act. Applicant is required to file tariffs with the Commission under Section 13-501 of the Act

describing the nature of its service, the applicable rates and charges and the terms and conditions of the service provided. If the Applicant files the required tariffs in compliance with Section 13-502(e) and the rules adopted thereunder in 83 Ill. Adm. Code 745, many of the provisions of the Act as well as regulations adopted by the Commission in Title 83 Illinois Administrative Code will be inapplicable to Applicant.

Specifically, Applicant seeks an exemption from 83 Ill. Adm. Code 710 and 735.180. A waiver of Part 710, governing the Uniform System of Accounts, should be granted pursuant to Section (13-402) of the Act and the Order entered in Dockets 84-0538 and 84-0539, in order to reduce the economic burdens of regulation on a telecommunication carrier which only provides competitive services. Applicant proposes that it will keep its books and record in accordance with a cash basis method of accounting.

In response to this proposal, Staff states in that order for it to recommend the proposed waiver of compliance with the Uniform System of Accounts ("USOA") Applicant would have to agree to keep its books and accordance with Generally Accepted Accounting Principles, ("GAAP").

The Commission concludes that determination of the issue of waiver of the requirement that Applicant's books and records be kept in accordance with the USOA or GAAP shall will be reserved for examination in a separate proceeding.

Further, Applicant should be granted a variance of Part 735.180, governing publication of a directory for the reason stated hereinabove.

The Commission observes that Section 13-901 of the Act requires the Commission to promulgate rules for companies providing alternative operator services. Applicant, as a condition to the grant of this application, will comply with the requirements of Section 13-901 and any rules the Commission promulgates for companies providing alternative operator services.

The Commission, having reviewed the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Applicant, Data Net Systems L.L.C., is seeking a Certificate of Service Authority, and, as such, seeks to become a telecommunications carrier within the meaning of Section 13-202 of the Public Utilities Act;
- (2) the Commission has jurisdiction over the Applicant and subject matter herein;
- (3) as required by Section 13-404 of the Act, Applicant possesses sufficient technical, financial and managerial resources and abilities to provide

resold local and interexchange telecommunications services within the State of Illinois;

- (4) Applicant should file with the Commission a tariff consisting of its rates, rules and regulations, in accordance with Sections 13-501 and 13-502 of the Act to be effective upon proper filing, before commencing service;
- (5) pursuant to Section 13-402 of the Act, a waiver of Part 710 and a variance of Part 735.180 of 83 Ill. Adm. Code should be granted; such waiver will reduce the economic burden of regulation and is not inconsistent with the Act or purposes of Article XIII;
- (6) Applicant should establish books of account such that revenues from its telecommunications services, subject to the public utility revenue tax, are segregated from the revenues derived from other business activities not regulated by the Commission;
- (7) as a conditions to the grant of this application, Applicant will comply with the requirements of Section 13-901 of the Act and any rules the Commission promulgates for companies providing alternative operator services.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that Data Net Systems, L.L.C., Inc. be, and is hereby, granted a Certificate of Service Authority.

IT IS FURTHER ORDERED that the Certificate of Service Authority hereinabove granted shall be the following:

CERTIFICATE OF SERVICE AUTHORITY

IT IS HEREBY CERTIFIED that Data Net Systems, L.L.C. is authorized to provide resold local exchange and interexchange telecommunications services within the State of Illinois.

IT IS FURTHER ORDERED that Applicant file with this Commission a tariff consisting of its rates, rules and regulations, to be effective upon proper filing, before commencing service.

IT IS FURTHER ORDERED that a waiver of 83 Ill. Adm. Code 710 and a variance of 83 Ill. Adm. Code 735.180, be and hereby is granted as set forth in Finding (5) hereinabove.

IT IS FURTHER ORDERED that as a condition of this Certificate, Applicant be, and is hereby, directed to establish books of account such that revenues from its

telecommunications services, subject to the public utility revenue tax, are segregated from the revenues derived from other business activities not regulated by the Commission.

IT IS FURTHER ORDERED that the applicability of waivers and variances of rules with respect to Data Net Systems, L.L.C., is subject to any future Commission proceeding initiated to consider the applicability of such rules.

IT IS FURTHER ORDERED that Applicant shall comply with the requirements of Section 13-901 of the Public Utilities Act and any rules promulgated by the Commission pursuant thereto.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 22nd day of October.

(SIGNED) DAN MILLER

Chairman

(SEAL)

Data Net Systems, LLC
Account Listing
 October 12, 2000

EXHIBIT

C

Account

1050 ANB Operating Account
 1250 Accounts Receivable
 1305 Note Receivable
 1499 Undeposited Funds
 1400 Fixed Assets-Computer Equip.
 1400 Fixed Assets-Computer Equip.:1420 Accumulated Depreciation
 1430 Autos & Trucks
 1430 Autos & Trucks:1440 Accumulated Depreciation
 1450 Leasehold Improvements
 1450 Leasehold Improvements:1460 Accumulated Depreciation
 1470 Office Furniture
 1470 Office Furniture:1475 Accumulated Depreciation
 1510 Security Deposit-Office Lease
 1520 Com-Ed Security Deposit
 1500 Organizational Costs
 1525 Start-Up Costs
 1550 Accumulated Amortization
 2000 Accounts Payable
 2050 Due to Customers
 Payroll Liabilities
 Payroll Liabilities:2102 State Withholding IL
 Payroll Liabilities:2110 Federal Withholding
 Payroll Liabilities:2120 FICA
 Payroll Liabilities:2120 FICA:2122 Company
 Payroll Liabilities:2120 FICA:2124 Employee
 Payroll Liabilities:2130 FUTA
 Payroll Liabilities:2140 Medicare
 Payroll Liabilities:2140 Medicare:2142 Company
 Payroll Liabilities:2140 Medicare:2144 Employee
 Payroll Liabilities:2150 SDI
 Payroll Liabilities:2160 State Withholding
 Payroll Liabilities:2170 SUI
 2300 Loan Payable
 2310 ANB Auto Loan
 3900 Retained Earnings
 3000 Opening Bal Equity
 3500 Member Distributions
 3800 Member Capital Contrib
 1110 Retained Earnings
 9010 Gain/Loss on Disposal of F.A.
 4020 Billing & Collection Income
 4040 Reimbursed Expenses
 4046 Telecom Resale
 6235 Education
 6140 Contributions
 6130 Cash Discounts
 6030 Amortization
 6020 Advertising
 6110 Automobile Expense
 6120 Bank Service Charges
 6061 Casual Labor

10/12/00

Data Net Systems, LLC

Account Listing

October 12, 2000

Account

6170 Copier Lease
6175 Computer School
6180 Donations
6200 Depreciation Expense
6220 Dues and Subscriptions
6240 Furniture Rental
Insurance
Insurance:6410 Liability Insurance
Insurance:6420 Work Comp
Insurance:6430 Insurance-Auto
Insurance:6440 Umbrella Policy
Insurance:6445 Medical Insurance
Insurance:6446 Life Insurance Expense
Interest Expense
6500 Licenses and Permits
6530 Miscellaneous
6550 Office Supplies
6560 Payroll Expenses
6560 Payroll Expenses:6570 Incentive Compensation
6560 Payroll Expenses:6575 Gross Wages
6560 Payroll Expenses:6575 Gross Wages:6502 MISC
Payroll Taxes
Payroll Taxes:6585 FICA
Payroll Taxes:6590 FUTA
Payroll Taxes:6595 Medicare
Payroll Taxes:6600 SDI
Payroll Taxes:6605 SUI
6610 Postage and Delivery
6615 Postage Machine Lease
6620 Printing and Reproduction
6625 Penalties
Professional Fees
Professional Fees:6655 Accounting
Professional Fees:6657 Audit Fees
Professional Fees:6660 Legal Fees
Professional Fees:6661 Legal Collection
Professional Fees:6666 Financial Consulting
Computer Programming
6690 Rent
Repairs
Repairs:6720 Building Repairs
Repairs:6730 Computer Repairs
Repairs:6740 Equipment Repairs
Repairs:6750 Janitorial Exp
Taxes
Taxes:6830 Federal
Taxes:6840 Local
Taxes:6850 Property
Taxes:6860 State
6870 Selling Expense
6880 Telephone

10/12/00

Data Net Systems, LLC

Account Listing

October 12, 2000

Account

6882 Data Transmission

6885 Meeting Costs

6900 Travel Expense

6901 Meals & Entertainment

Utilities

Utilities:6760 Waste Removal

Utilities:6950 Gas and Electric

Utilities:6960 Water

7010 Interest Income

7030 Other Income

7020 Even Exchange Account

8010 Other Expenses